ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION



COMMISSIONERS

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IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR THE ESTABLISHMENT OF JUST AND REASONABLE RATES AND CHARGES DESIGNED TO REALIZE A REASONABLE RATE OF RETURN ON THE FAIR VALUE OF THE PROPERTIES OF TEP DEVOTED TO ITS OPERATIONS THROUGHOUT THE STATE OF AZ AND FOR RELATED APPROVALS.

DOCKET NO. E-01933A-15-0322

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POSTHEARING BRIEF OF KEVIN KOCH

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## INTRODUCTION

The testimony I've provided in this rate case is meant to provide guidance to the Commission regarding policies that would result in the continued viability of "rooftop" solar in Tucson Electric Power service territory, while reducing the cost to all ratepayers for the benefits they receive from additional solar being installed in Tucson. In addition, I have argued for rate design which will continue to encourage energy efficiency among ratepayers and keep the lowest energy users from being overly burdened by the cost of essential electrical service. Lastly, I have argued for policies which will not harm commercial customers who chose to install solar previously when encouraged to do so by the Commission.

## I. Existing commercial solar customers

Under Tucson Electric Power Company's current proposal, current GS-10 customers that use more than 24,000 kWh (net) during any two consecutive months would be migrated to a rate with lower volumetric energy charges and a new demand charge. This new structure would result in some customers paying more for their solar lease payments or financing terms than they are saving on their electric bills. This could apply to customers who purchased a solar energy system that was only designed to produce a portion of the electricity use, or to customers who have much higher summer use and whose average solar production is 12,000 kwh/month less than their summer usage. While these rate structures may be acceptable for future solar customers, by applying these rates to customers who adopted solar under the old rules, the Commission runs the risk of changing the rules mid-game and causing harm to customers who were encouraged to adopt solar under the Commission's rules and incentive programs. I strongly encourage the Commission to allow existing commercial solar customers to retain the GS-10 rate structure by being allowed to remain on the SGS rate regardless of their size until 20 years after the commissioning of their solar electric system.

## II. RPS credit option

I do not believe that there is any benefit to adopting the RPS credit option during phase one of this rate case. This option should be considered during phase two, along with other proposals affecting the rate that customers receive for energy they generate with a solar electric system installed on their home or business. However, if this option is adopted during phase one, as it was in the UNS Electric case, it should not have tranches with declining values as this runs the risk of dropping the credit option below what the market will bear and stalling or killing the solar industry with no action by the Commission. An annual review by the Commission would be sufficient to set the rate in a way that sustains the market while providing the best value to the rate payer. I would suggest that the rate to start out should be less than the current rate for net metered customers, since there is less risk to this option than the net metering option. I provided testimony that any rate below $0.095/kwh would be poorly received by potential solar customers in Tucson Electric Power Company's service territory. A rate of $0.095 or $0.10/kwh would be appropriate, if the option were to be adopted during phase one.

## III. Solar meter fee

Unless solar customers have the option to opt out of the requirement to install a solar meter, they should not be charged a solar meter fee. These fees are used by Tucson Electric Power Company (TEP) to comply with the REST rules, or to justify a waiver of the REST rules. As stated in my testimony, customers do not need a solar meter for their own operations or maintenance, as they have other means of obtaining this information already included with their system. Customers who wish to sell their renewable energy credits (RECs) to the utility or some other party should install a solar meter, and could pay for it out of the proceeds of the REC sale. Because most solar customers today are not selling their RECs to TEP or others, they do not have a need or a financial incentive to install such a meter. As it currently stands, solar customers already do pay for the labor costs for the installation of these meters, while TEP pays for the equipment and the ongoing meter reading services, for a piece of equipment that only benefits the utility in meeting the REST requirements.

## IV. Residential tiered rate structures

TEP has argued that tiered rate structures are no longer necessary to send market signals for ratepayers to conserve energy. However, as I mentioned in my testimony, when customers make decisions about replacing appliances such as air conditioners, refrigerators, pool pumps, and the like, they do so based on the marginal cost of electricity. Due to the marginal cost being higher with three tiered rates compared to two tiered rates, payback calculations will result in more efficient choices being made with higher marginal rates. Because of the importance of these decisions in creating a more efficient use of energy in the future, it is incredibly important to maintain the three tiers. Not only does this help drive decisions which will result in more energy efficient infrastructure, it will also reduce the burden of essential electric service on those who cannot afford a higher cost of electricity. By reducing the cost of the first 500 kWh, and increasing the cost of electricity above 1000 kWh per month, basic needs remain more affordable and the economy sends signals which encourage a vital transition to more efficient use of resources.

## V. Basic service charge

I support testimony by other parties as well as my own that Basic Service charges should not go up by more than the overall rate increase, as these charges are not something a customer can control, and therefore do not contribute to decisions which promote conservation of resources or expenses. Just as in the case of the tiered rate structures, a lower basic service charge will keep the burden of essential electric service from rising on people who cannot afford the increase, and it will increase adoption of more energy efficient products because the added cost of the revenue requirement will be in the volumetric charges which a customer can control. Given that the current charge is $10.00, and that the overall rate increase is about 7%, the cost of the Basic Service charge should not be more than $10.70.

**CONCLUSION**

Perhaps the most distressing aspect of this rate case is the disproportionate increase in rates to those who use the least amount of energy. I would urge the Commission to adopt new rates which minimize the negative effect of the rate case on those who use the lease amount of electricity. By maintaining three levels of tiered rates and a low basic service charge the new rates can be fairly applied without tipping the scales to burden the most vulnerable in our society.

In addition, I would urge the Commission to treat existing commercial customers with solar fairly by allowing them to choose the SGS rate structure for at least 20 years after the commissioning of their system.

Lastly, I would urge the Commission to postpone the adoption of RUCO's RPS Credit Option until phase two of the proceeding, or, as a lesser alternative, to adopt the modifications I have suggested in my testimony and summarized above.

RESPECTFULLY SUBMITTED this 31st day of October, 2016.

Kevin Koch

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Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007
HearingDivisionServicebyEmail@azcc.gov

Barbara LaWall
Charles Wesselhoft
PIMA COUNTY ATTORNEY'S OFFICE
32 North Stone Avenue, Suite 2100
Tucson, Arizona 85701
Barbara.LaWall@pcao.pima.gov
Charles.Wesselhoft@pcao.pima.gov
Attorneys for Pima County

C. Webb Crockett
Patrick J. Black
FENNEMORE CRAIG, P.C
2394 East Camelback Road, Suite 600
Phoenix, Arizona 85016
wcrocket@fclaw.com
pblack@fclaw.com
Attorneys for Freeport Minerals Corporation and
Arizonans for Electric Choice and Competition

Kevin C. Higgins, Principal
ENERGY STRATEGIES, LLC
215 South State Street, Suite 200
Salt Lake City, Utah 84111
KHiggins@Energystrat.com

Meghan Grabel
Osborn Maledon, PA
2929 North Central Avenue, Suite 2100
Phoenix, Arizona 85012
mgrabel@omlaw.com
Attorneys for AIC

Gary Yaquinto
Arizona Investment Council
2100 North Central Avenue, Suite 210
Phoenix, Arizona 85004
gyaquinto@arizonaic.org

Craig A. Marks
Craig A. Marks, PLC
10645 North Tatum Boulevard, Suite 200-676
Phoenix, Arizona 85028
Craig.Marks@azbar.org
Attorney for Arizona Utility Ratepayer Alliance

Pat Quinn
President and Managing Paltrier
Arizona Utility Ratepayer Alliance
5521 East Cholla Street
Scottsdale, Arizona 85254
Pat.Quinn47474@gmail.com

Timothy Hogan
Arizona Center for Law in the Public Interest
202 East McDowell Road, Suite 153
Phoenix, Arizona 85004
thogan@aclpi.org
Attorney for Vote Solar

Rick Gilliam
Director of Research and Analysis
The Vote Solar Initiative
1120 Pearl Street, Suite 200
Boulder, Colorado 80302
rick@votesolar.org

Briana Kobor/Vote Solar
Program Director DG Regulatory Policy
360 22nd Street, Suite 730
Oakland, California 94602
briana@votesolar.org

Michael Hiatt, Staff Attorney
Katie Dittelberger
Earthjustice Rocky Mountain Office
633 17th Street, Suite 1600
Denver, Colorado 80202
mhiatt@earthjustice.org
kdittelberger@earthjustice.org

Thomas A. Loquvam
Pinnacle West Capital Corporation
PO Box 53999, MS 5695
Phoenix, Arizona 85072
Thomas.Loquvam@pinnaclewest.com

Kerri A. Carnes
Arizona Public Service Company
P.O. Box 53072, MS 9712
Phoenix, Arizona 85072-3999
Kerri.Carnes@aps.com

Bradley Carroll
TUCSON ELECTRIC POWER COMPANY
88 East Broadway Boulevard MS HQE910
PO Box 71 1
Tucson, Arizona 85701
bcarroll@tep.com

Michael Patten
Jason D. Gellman
SNELL & WILMER L.L.P.
One Arizona Center
400 East Van Buren Street, Suite 1900
Phoenix, Arizona 85004
mpatten@swlaw.com
jhoward@swlaw.com
docket@swlaw.com
Attorneys for Tucson Electric Power Company
And UNS Electric, Inc.

Tom Harris, Chairman
Arizona Solar Energy Industries Association
2122 West Lone Cactus Drive, Suite 2
Phoenix, Arizona 85027
Tom.Harris@AriSeia.org

Travis Ritchie(pro hoc vice)
Sierra Club Environmental Law Program
85 Second Street, 2nd Floor
San Francisco, California 94105
Travis.ritchie@sierraclub.org

Camila Alarcon
Gammage & Burnham, PLC
Two North Central Avenue, 15th Floor
Phoenix, Arizona 85004
calarcon@gblaw.com
Attorneys for SOLON

Michele L. Van Quathem
Law Offices of Michele Van Quathem, PLLC
7600 North 15th Street, Suite 150-30
Phoenix, Arizona 85020
mvq@mvqlaw.com
Attorneys for SOLON

Daniel Pozefsky
RESIDENTIAL UTILITY CONSUMER
OFFICE
1110 West Washington, Suite 220
Phoenix, Arizona 85007
dpozefsky@azruco.gov

Nicholas Enoch
Jarrett J. Haskovec
Edith A. Tornabene
LUBIN & ENOCH, P.C.
349 North Fourth Avenue
Phoenix, Arizona 85003
nick@lubinandenoch.com
jarrett@lubinandenoch.com
emily@lubinandenoch.com
Attorney for IBEW Local 1116

Lawrence Robertson, Jr.
PO Box 1448
Tubac, Arizona 85646
tubaclawyer@aol.com
Attorney for Noble Americas Energy Solution, LLC and Southern Arizona Home Builders Association

Kurt J. Boehm (pro hoc vice)
Jody Kyler Cohn
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202
kboehm@bkllawfirm.com
jkyler@bkllawfirm.com
Attorney for The Kroger Co.

John William Moore, Jr.
MOORE BENHAM & BEAVER PLC
7321 North 16th Street
Phoenix, Arizona 85020
jmoore@mbmblaw.com
Attorney for Kroger

The Kroger Co.
Attn: Corporate Energy Manager (G09)
1014 Vine Street
Cincinnati, Ohio 45202
dgeorge@kroger.com

Steven J Barton
J. Kennedy & Associates
570 Colonial Park Drive, Suite 305
Roswell, Georgia 30075
sbaron@jkenn.com

Jeffrey Shinder (pro hoc vice)
Constantine Cannon LLP
335 Madison Avenue, 9th Floor
New York City, New York 10017
jshinder@constantinecannon.com

Richard O. Levine (pro hoc vice)
Constantine Cannon LLP
1001 Pennsylvania Avenue NW Suite 1300 North
Washington, DC 20004
rlevine@constantinecannon.com

Court S. Rich
PPC
7144 East Stetson Drive, Suite 300
Scottsdale, Arizona 85251
crich@roselawgroup.com
Attorney for The Alliance for Solar Choice ("TASC") And Energy Freedom Coalition of America ("EFAC")

Cynthia Zwick, Executive Director
Arizona Community Action Association
2700 North 3rd Street, Suite 3040
Phoenix, Arizona 85004
czwick@azcaa.org

Kevin Hengehold, Energy Program Director
Arizona Community Action Association
2700 North 3rd Street, Suite 3040
Phoenix, Arizona 85004
khengehold@azcaa.org

Jeff Schlegel
SWEEP Arizona Representative
1167 West Samalayuca Drive
Tucson, Arizona 85704-2334
schlegelj@aol.com

Ellen Zuckerman
SWEEP Senior Association
1627 Oak View Avenue
Kensington, California 94707
ezuckerman@swenergy.org

Scott Wakefield
Hienton & Curry, PLLC
5035 North 12th Street, Suite 110
Phoenix, Arizona 85014
swakefield@hclawgroup.com
Attorney for Wal-Mart

Steven W. Chriss
Senior Manager, Energy Regulatory Analysis
Wal-Mart Stores, Inc.
2011 Southeast 10th Street
Bentonville, Arkansas 72716-0550
Steven.chriss@wal-mart.com

Ken Wilson
Western Resources Advocates
2260 Baseline Road, Suite 200
Boulder, Colorado 80302
Ken.wilson@westernresources.org

Karen White
139 Bases Drive, Suite 1
Tyndall Air Force Base, FL 32401
Karen.white.13@us.af.mil
Attorney for DoD/FEA

Kyle J. Smith
9275 Gunston Road (JALS RL/IP), Suite 1300
Fort Belvoir, VA 22060
kyle.j.smith124.civ@mail.mil
Attorney for DoD/FEA

Jeffrey W. Crockett
CROCKET LAW GROUP PLLC
2198 East Camelback Road, Suite 305
Phoenix, AZ 85016
jeff@jeffcrockettlaw.com
Attorney for Tucson Meadows, LLC

Bruce Plank
2958 North Saint Augustine Place
Tucson, AZ 85712
solarlawyeraz@gmail.com

Garry D. Hays
Law Offices of Garry D. Hays, PC
2198 East Camelback Road, Suite 305
Phoenix, AZ 85016
ghays@lawgdh.com
Attorney for Arizona Solar Deployment Alliance (ASDA)

Greg Patterson
Munger Chadwick
916 West Adams, Suite 3
Phoenix, AZ 85007
greg@azcpa.org
Attorneys for AZ Competitive Power Alliance

COPIES of the foregoing mailed this 31st day of October, 2016, to:

Bryan Lovitt
3301 West Cinnamon Drive
Tucson, Arizona 85741